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Progress report on the UNDP-UNCDF strategic partnership*

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* The compilation of data required to provide the Executive Board with the most current information has delayed submission of the present report.

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I. Background

1. At its first regular session 2006, the Executive Board, in its decision 2006/4, requested "the Administrator [of UNDP] and the Executive Secretary [of UNCDF] to work closely to finalize a memorandum of understanding between the two organizations setting forth the key elements of their strategic, operational and financial partnership, and report their arrangements to the Board at its annual session in June 2006".

2. At the annual session 2006, the Board, in its decision 2006/15, reviewed the progress that UNDP and UNCDF had made toward their strategic partnership and requested the two organizations to continue their joint efforts. Specifically, the Board requested that UNDP and UNCDF explore ways to "cooperate on strategic planning, funding, programming arrangements and the results framework in the context of the preparation of the UNDP MYFF for the period 2008-2011".

3. In September 2006, UNCDF presented a detailed "Proposed cooperation framework for UNDP and UNCDF in the context of the UNDP MYFF, 2008-2011". In November 2006, after considering the recommendations and conclusions of the High-level Panel on System-wide Coherence, UNDP and UNCDF agreed that the basic elements of the cooperation framework suggested by UNCDF should form the basis for integrating the work of UNCDF into the UNDP strategic plan, 2008-2011.

4. At the first regular session 2007 of the Executive Board, UNDP and UNCDF jointly presented a "Proposed partnership framework for UNDP and UNCDF". At that meeting, the Executive Board, in decision 2007/8, requested UNDP and UNCDF to "further develop this partnership, particularly with respect to the preparation of the UNDP strategic plan 2008-2011, the programming arrangements and the biennial support budget, to aim for the achievement of the strategic and operational objectives presented in the report". In addition, the Executive Board requested "the Administrator [of UNDP] and the Executive Secretary [of UNCDF] to …report progress at the annual session 2007".

II. UNCDF and the UNDP strategic plan

5. Since the first regular session 2007 of the Executive Board, UNDP and UNCDF have worked closely together to integrate the contributions from the two UNCDF practice areas (local development and microfinance) into the UNDP strategic plan. Throughout the process, UNCDF has worked closely with the Associate Administrator, the Strategic Management Team, the Operations Group, the poverty, governance, and capacity development practices of the Bureau for Development Policy (BDP), the Bureau for Crisis Prevention and Recovery, Bureau for Resources and Strategic Partnerships (BRSP), and the regional bureaux, among others. UNDP and UNCDF believe that the strategic plan will properly reflect the contributions of UNCDF once it has been completed and adopted by the Executive Board.

6. The current draft of the strategic plan reflects the contributions of UNCDF in the poverty reduction, democratic governance, and crisis prevention and recovery focus areas. The development outcomes specifically related to the activities of UNCDF in each of those focus areas are set forth in tables 1-3, opposite.

Table 1[1]. Poverty reduction and achievement of the MDGs outcomes

1. Promoting inclusive growth, gender equality and the achievement of the MDGs.
1.6. Strengthened capacities of local governments and other stakeholders to foster participatory local development and support the achievement of the MDGs.
1.7. Policies, strategies and partnerships established to promote private sector and market development that benefit the poor and ensure that low-income households and small enterprises have access to a broad range of financial and legal services.

Table 2. Democratic governance outcomes

2. Strengthening responsive governing institutions.
2.1. National, regional and local levels of governance expand their capacities to manage the delivery of public goods and services, to regulate markets in an inclusive and equitable way, and to reduce conflict.
2.2. Inclusive legislatures, regional elected bodies, and local assemblies represent the interests of all persons.

Table 3. Crisis prevention and recovery outcomes

2. Post-crisis governance functions strengthened for recovery.
2.1. Post-crisis governance capacity strengthened, including measures to ensure the reduction of future vulnerabilities.
3. Restoring the foundations for development at local level.
3.1. Community security and social cohesion at local level restored.
3.2. Post-crisis economic revival and employment generated; crisis affected groups returned and reintegrated.

7. The above development outcomes will thus fully incorporate the activities and development results achieved in the UNCDF practice areas while also fully respecting the unique investment mandate of UNCDF, its focus on the least developed countries (LDCs), and its unusual institutional character and status. In addition, UNCDF has proposed specific outcome indicators and targets for the key development outcomes set forth in the poverty reduction area as related to the activities of UNCDF. The proposed outcome indicators and targets are set forth in annex 1. UNDP and UNCDF believe that they, or similar outcome indicators, will be used to measure results in connection with the development outcomes associated with the UNCDF practice areas in the strategic plan.

8. Accordingly, UNDP and UNCDF believe that the two organizations have made substantial progress towards integrating the contributions of UNCDF into the UNDP strategic plan. At the same time, considerably more work remains to be done to further define the human and financial resources that will be required to achieve the joint development outcomes, as well as to finalize a variety of related programming, operational, and funding issues.

III. Joint programming and joint resource mobilization

9. To achieve the strategic and operational objectives of their partnership, UNDP and UNCDF have begun to explore ways to integrate their programming, management and financial arrangements more fully. The two organizations have undertaken this exploration with a view to (a) improving the efficiency and effectiveness of their collaboration, (b) enhancing their combined development impact in the LDCs and other developing countries, (c) assuring more predictable and stable funding for UNCDF investment activities in the LDCs, (d) assuring more equitable burden-sharing among donor Member States, and (e) achieving greater coherence, simplicity and harmonization within the United Nations system.

[1] Information in tables 1, 2 and 3 is drawn from the draft UNDP strategic plan, 2008-2011.

10. To those ends, UNDP and UNCDF have agreed that the primary modality for working together at the country level will be joint programmes between the two organizations. UNDP and UNCDF have also agreed that joint programmes in the UNCDF practice areas in the LDCs will be formulated within the overall United Nations Development Assistance Framework (UNDAF) and country programme action plan (CPAP) agreed upon with the respective national Government for country-level United Nations programming. The joint programmes would be directly related to the development outcomes set forth in the UNDP strategic plan.

11. The joint programme modality will require that UNDP and UNCDF modify the way the institutions collaborate so that their programming activities conform to the joint programme policies and procedures agreed to by the United Nations Development Group (UNDG). Those policies and procedures are described in the UNDG guidance note on joint programming[2] issued in December 2003.

12. The guidance note defines joint programmes as activities "contained in a common work plan and related budget, involving two or more United Nations organizations and (sub)national partners." For the purposes of the guidance note and joint programmes generally, it has been determined that UNCDF is a "United Nations organization" and should therefore be afforded the same status as any other United Nations organization with respect to joint programme issues.

13. The guidance note provides different funding modalities for funding and managing joint programmes.[3] UNDP and UNCDF have already begun to use the pass-through funding modality on several joint programmes in several countries. Under that modality, UNDP and UNCDF agree to a joint programme document setting forth the respective roles and responsibilities of each organization, along with programme objectives, strategy, results, and a budget, among other items. An Inter-agency memorandum of understanding is then used to designate the administrative agent (which is usually UNDP) and a letter of agreement is utilized with donors who are interested in sharing the costs of the joint programme. The letter of agreement and the related memorandum of understanding stipulate that UNCDF will receive, disburse, and manage funding for all capital investments and international technical advisory support, while UNDP will receive, disburse, and manage funding for national capacity-building and policy-related activities. That clear articulation of roles and responsibilities ensures that programmatic synergies are achieved based on the mandate, expertise, and comparative advantage of each organization.

14. As programming between UNDP and UNCDF increasingly moves to a joint programme structure, UNDP and UNCDF have concluded that resources to support the activities should be mobilized jointly, particularly at the country level. This is because joint programmes will be contained in the UNDAFs and CPAPs at the country level and will be aligned with and part of the UNDP strategic plan. Further, the two organizations will essentially be managing the programmes together and will be jointly responsible for development and management results. That will require UNDP and UNCDF to approach resource mobilization for the benefit of the joint programme, and to present a 'One UN' perspective to governments and development partners.

15. The joint programme approach and the 'One UN' perspective highlight the need to address a number of operational and administrative issues related to the partnership and cooperation between UNDP and UNCDF, particularly at regional and country office levels.

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[2] English version: http://altair.undp.org/documents/3642-Finalized_Guidance_Note_on_Joint_Programming__complete_.doc
French version: http://altair.undp.org/documents/3642-Finalized_Guidance_Note_on_Joint_Programming__complete_-1.doc

[3] The choice of modality depends on a set of indicators such as e.g. the comparative advantage of each organization for managing the programmatic work.

Those issues include the need to clarify the respective roles and functions of UNDP and UNCDF staff in achieving commonly agreed development objectives and resource mobilization targets, the appropriate roles and responsibilities of resident coordinators and country directors with respect to UNCDF activities and operations at the country level, the reporting lines for UNCDF staff when they share offices with UNDP, and the need to promote and recognize the unique capabilities, technical expertise, and contributions of UNCDF as an important strategic partner for UNDP.

16. Considerable analysis remains to be done with respect to the implementation of joint programmes and joint resource mobilization between UNDP and UNCDF as broadly described here. The programming, operational, management, and financial issues are complex and varied, and many factors need to be taken into account before formal guidance can be provided or formal policies and procedures adopted. UNDP and UNCDF are working together closely to address these issues and expect to make substantial progress prior to the Executive Board meeting in September.

IV. UNCDF biennial support budget and future funding alternatives

17. Executive Board decision 2007/8 directed UNDP and UNCDF to consider the biennial support budget (BSB) in the context of the strategic and operational objectives set forth in the proposed partnership framework. Based on preliminary discussions to date regarding the financial aspects of the strategic plan, UNDP and UNCDF believe that the biennial support budget for UNCDF will continue to be included in the BSB of UNDP. Those discussions, however, are in their early stages, and a variety of factors will need to be considered before such arrangements can be finalized. UNDP and UNCDF will work closely together to assure that UNCDF has adequate funding to cover its administrative expenses in the biennial support budget associated with the strategic plan.

18. With regard to alternative structures for supporting UNCDF investment activities in the LDCs, UNDP and UNCDF have begun to explore options that would allow UNCDF to achieve more stable, predictable core funding. In discussions involving the Associate Administrator, BRSP, BDP, and the regional bureaux, UNDP and UNCDF are carefully evaluating a variety of methods that might be used to support the unique investment activities of UNCDF in the LDCs in the context of the strategic plan. Those discussions began in March, with a presentation to the Associate Administrator, and follow-up consultations and analysis are under way.

19. Providing more stable, predictable, multi-year funding to support UNCDF investment activities in the LDCs is the most difficult and important issue facing UNCDF. Such funding must be sufficient to ensure that UNCDF can properly implement the business plan that the Executive Board adopted in 2005. Further, an appropriate level of burden-sharing among donor Member States must be achieved. Because this issue is complex and directly impacts and involves every stakeholder of UNCDF, UNDP and UNCDF expect to consult broadly with a variety of stakeholders as alternative funding strategies are considered. It is expected that UNDP and UNCDF will be in a position to discuss this subject in general terms at the annual session 2007 of the Executive Board and to provide a definitive recommendation to the Executive Board at the second regular session 2007.

Annex. UNCDF investment plan and resources requirements 2008-2011

Strategic plan development focus area: Poverty reduction and achievement of the MDGs
Strategic plan key results area 1: Promoting inclusive growth, gender equality and the achievement of the MDGs
Strategic plan outcome 1.6: Strengthened capacities of local governments and other stakeholders to foster participatory local development and support of the MDGs

Indicators	Targets			
	2008	2009	2010	2011
1. No. of targeted countries where national programmes and strategies have been developed (using a sector-wide approach) for decentralization and local development to achieve the MDGs.	15 LDCs	17 LDCs	19 LDCs	21 LDCs
2. No. of targeted local governments that have the capacity for preparing MDG-based local development plans and results based budgets with all stakeholders. 3. No. of targeted local governments that have the capacity and financing to implement local development plans. 4. No. of targeted local governments that are accountable to citizens on the implementation of local development plans and budgets.	630 in 36 LDCs	660 in 39 LDCs	690 in 42 LDCs	700 in 42 LDCs
5. Percentage of local government expenditures devoted explicitly to pro-poor and gender-equitable local development investments.	TBD	TBD	TBD	TBD
6. No. of targeted countries that have an equitable fiscal transfer systems for local governments in place.	10 LDCs	20 LDCs	30 LDCs	40 LDCs

Strategic plan development focus area Poverty reduction and achievement of the MDGs
Strategic plan key results area 1: Promoting inclusive growth, gender equality and the achievement of the MDGs
Strategic plan outcome 1.7: Policies, strategies and partnerships established to promote private sector and market development that benefit the poor and ensure that low-income households and small enterprises have access to a broad range of financial and legal services

Indicators	Targets			
	2008	2009	2010	2011
1. No. of countries that have a national strategy and action plan in support of building an inclusive financial sector, developed and adopted with joint UNDP/UNCDF assistance.	19 LDCs	22 LDCs	25 LDCs	28 LDCs
2. No. of United Nations-supported financial service providers (FSPs) that provide sustainable access to financial services, out of which 'x' % have developed access to commercial sources of funding.	32 FSPs 35 %	40 FSPs 50 %	50 FSPs 65 %	60 FSPs 80 %
3. No. of active clients that have sustainable access to financial services from UNDP/UNCDF-supported FSPs, including at least 50% women.	2.1 million	3.5 million	5 million	6.3 million